

Appendix J: Cost Neutrality Demonstration

Appendix J-1: Composite Overview and Demonstration of Cost-Neutrality Formula

Composite Overview. Complete the following table for each year of the waiver.

Level(s) of Care (<i>specify</i>):			ICF-MR				
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
Year	Factor D	Factor D'	Total: D+D'	Factor G	Factor G'	Total: G+G'	Difference (Column 7 less Column 4)
1							
2							
3	32,283	6,394	38,677	121,250	4,719	125,969	87,292
4	32,991	6,554	39,545	124,281	4,837	129,118	89,573
5	34,038	6,718	40,756	127,388	4,958	132,346	91,590

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Appendix J-2 - Derivation of Estimates

- a. **Number Of Unduplicated Participants Served.** Enter the total number of unduplicated participants from Item B-3-a who will be served each year that the waiver is in operation. When the waiver serves individuals under more than one level of care, specify the number of unduplicated participants for each level of care:

Table J-2-a: Unduplicated Participants			
Waiver Year	Total Number Unduplicated Number of Participants (From Item B-3-a)	Distribution of Unduplicated Participants by Level of Care (if applicable)	
		Level of Care:	Level of Care:
Year 1			
Year 2			
Year 3	2,100	ICF-MR	
Year 4 (renewal only)	2,150	ICF-MR	
Year 5 (renewal only)	2,200	ICF-MR	

- b. **Average Length of Stay.** Describe the basis of the estimate of the average length of stay on the waiver by participants in Item J-2-d.

Average length of stay projections are unchanged from those approved for the current five renewal period for this Waiver. CMS approval for the Department's Waiver renewal request was granted by Alex Trujillo, Regional Administrator, in a letter dated June 24, 2003.

- c. **Derivation of Estimates for Each Factor.** Provide a narrative description for the derivation of the estimates of the following factors.

- i. **Factor D Derivation.** The estimates of Factor D for each waiver year are located in Item J-2-d. The basis for these estimates is as follows:

The projected Factor D values were based on the most recent data available to the Department following the implementation of the Annual Expenditure Report (AER) process, effective 7/1/03. The 372 Initial Report Data for year 1, covering the period from 7/1/03 through 6/30/04, was used for developing unduplicated client counts (service utilization) by service categories. The Lag data for the previous year is not useful since the service categories changed between these two years. Some background history is helpful.

In early 2003, CMS required the Department to fully "unbundle" Intensive Family Education and Supports and Supported Living. These terms were deleted from the waiver, but the Department's billing and payment system does not allow these "bundled" services to be broken out by waiver service category. With CMS technical assistance and approval, the Department implemented the AER process with providers. This process gives the Department the ability to provide CMS with expenditure and unduplicated client count by waiver service category.

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At the current time, efforts are underway to redesign the AWACS billing and payment system to enable billing and payment by discrete waiver service category. At the same time, the system must also accommodate the billing and payment methods being developed under the “pilot project” in Region 2. The pilot project is based on a DDP contract with the Davis/Deshaies consultant group. The focus of the pilot project is to develop a statewide rate (rates for specific services) structure and an assessment methodology designed to assign a resource allocation to a person. The AWACS rewrite process is complex and labor intensive, but eventually the need for the AER process may be circumvented by the new billing and payment system. It is difficult to accurately project a completion date for the AWACS rewrite at this time.

Methodology for Projecting Average Factor D Values

AER data from the providers for the period from 7/1/04 through 6/30/05, corresponding to year 2 of the current waiver renewal period, is available at this time. As of this writing, this data has not been reviewed for errors or problems, nor has this data been loaded into an Excel spreadsheet to generate information as needed for the CMS 372 Report. For this reason, the DDP is reluctant to use this data in support of the average factor D values in the Appendix J tables.

Although reconciled data is not available for year 2, the unduplicated client count data from AWACS indicates that 1,872 unduplicated recipients were enrolled in year 2. In addition, a data query of AWACS on September 30, 2005 captured first quarter information indicating not only increased enrollments, but also increased expenditures per client. On 9/30/05, 1,869 unduplicated individuals were enrolled during the first three months of year 3. With an average turnover rate of 10%, and some projected placements from MDC and a small amount of IFES expansion, it became clear that the Department could exceed Factor D authority, the total budget authority, and unduplicated client count authority. Expenditures totaled \$16,344,116 for the first quarter, resulting in an average annualized expenditure per client of \$32,670, based on projected annualized budget of \$65,376,464. Although this method for projecting costs is not precise, there is cause for concern.

The \$32,670 annualized cost figure was used as the basis for the year 3 Factor D in the amendment request “scope of project” letter dated 11/14/05 sent to CMS. The \$32,670 was conservatively adjusted downward to \$32,283 for Year 3, and then adjusted upward at the rate of 2.0% for year 4 and 3% for year 5 of the renewal period. The basis for increasing Factor D by 3% in year 5 is due to an anticipated increase in unit costs following the 2007 Legislative session. This unit cost increase is within reason given recent CPI-U inflationary increases. Inflation based on the CPI-U for the last two years of data (12/03 through 12/05) averaged 3.35%. The CPI-U was pulled from the US Department of Labor website. The use of the inflation factors of 2% and 3% is conservative given the extraordinary impact of increases in the cost of energy over this period.

Pilot Project Rates

Prior to the statewide implementation of the rates pilot project, it will be necessary for the Department to update CMS with new rates and new unit definitions. The rates project will be fully implemented in all five regions on 7/1/08. Since the renewal of this waiver is due at the same time and the rates have been undergoing ongoing modification in DDP Region 2, it is hoped that CMS will allow the Department to fully integrate any and all changes associated with the new system at the time of the next renewal. The rates project is truly a work in progress.

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- ii. **Factor D' Derivation.** The estimates of Factor D' for each waiver year are included in Item J-1. The basis of these estimates is as follows:

The Factor D' projections are unchanged from those used in the most recent renewal of this Waiver, effective 7/1/03.

- iii. **Factor G Derivation.** The estimates of Factor G for each waiver year are included in Item J-1. The basis of these estimates is as follows:

The Factor G projections are unchanged from those used in the most recent renewal of this Waiver, effective 7/1/03.

- iv. **Factor G' Derivation.** The estimates of Factor G' for each waiver year are included in Item J-1. The basis of these estimates is as follows:

The Factor G' projections are unchanged from those used in the most recent renewal of this Waiver, effective 7/1/03.

- d. **Estimate of Factor D.** *Select one:* Note: Selection below is new.

<input type="radio"/>	The waiver does not operate concurrently with a §1915(b) waiver. Complete Item J-2-d-i
<input type="radio"/>	The waiver operates concurrently with a §1915(b) waiver. Complete Item J-2-d-ii

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i. Estimate of Factor D – Non-Concurrent Waiver. Complete the following table for each waiver year

Waiver Year: Year 1					
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
Not applicable. The Year 1 values are reported in the 372 Initial Report submitted on March 30, 2005					
GRAND TOTAL:					
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)					
FACTOR D (Divide grand total by number of participants)					
AVERAGE LENGTH OF STAY ON THE WAIVER					

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Waiver Year: Year 2					
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
<u>Not applicable.</u> The 372 Initial Report for year 2 and the Lag Report for year 1 was submitted to CMS on 3/14/06					
GRAND TOTAL:					
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)					
FACTOR D (Divide grand total by number of participants)					
AVERAGE LENGTH OF STAY ON THE WAIVER					

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Waiver Year: Year 3					
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
Family Support Coordination	month	389	12	754.66	3,522,753
Homemaker	hour	79	104	11.32	93,005
Personal Care	hour	6	335	13.66	27,457
Residential Habilitation	day	1,721	335	73.08	42,133,178
Day Habilitation	6 hour day	1,435	224	48.40	15,557,696
Supported Employment	hour	295	224	30.57	2,020,066
Respite	hour	412	260	10.25	1,097,980
Psychological	hour	8	5	44.69	1,788
Physical Therapy	hour	12	24	51.37	14,795
Occupational Therapy	hour	5	3	53.72	806
Speech Therapy	hour	2	4	53.71	430
Respiratory Therapy	hour	1	4	54.63	219
Meals (less than 3/day)	meal	12	295	4.20	14,868
Private Duty Nursing	½ hour	40	242	11.56	111,901
Dietician	hour	1	4	26.94	108
Environmental Modifications/Adaptive Equipment	item or mod	100	1	2,179	217,900
Transportation	one way ride	1,529	468	4.13	2,955,312
*Community Transition Services	one placement	10	1	2,500	25,000
*if approved by CMS					
GRAND TOTAL:					67,795,262
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)					2,100
FACTOR D (Divide grand total by number of participants)					32,283
AVERAGE LENGTH OF STAY ON THE WAIVER					335

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Waiver Year: Year 4 (renewal only)					
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
Family Support Coordination	month	401	12	773.53	3,722,226
Homemaker	hour	81	104	11.60	97,718
Personal Care	hour	6	335	14.00	28,140
Residential Habilitation	day	1,723	335	74.91	43,238,427
Day Habilitation	hour	1,478	1,344	8.2683334	16,424,482
Supported Employment	hour	304	224	31.33	2,133,448
Respite	hour	423	260	10.51	1,155,890
Psychological	hour	9	5	45.81	2,061
Physical Therapy	hour	12	24	52.65	15,163
Occupational Therapy	hour	5	3	55.06	826
Speech Therapy	hour	2	4	55.05	440
Respiratory Therapy	hour	1	4	56.00	224
Meals (less than 3/day)	meal	12	295	4.31	15,257
Private Duty Nursing	½ hour	41	242	11.85	117,576
Dietician	hour	1	4	27.61	110
Environmental Modifications/Adaptive Equipment	item or mod	103	1	2,233	229,999
Transportation	one way ride	1,575	468	4.23	3,117,933
*Community Transition Services	one placement	10	1	2,563	25,630
*Adult Foster Support	day	10	335	82.980299	277,984
*Adult Companion Services	hour	50	335	11.60	194,300
*Assisted Living Services	day	5	335	65.373135	109,500
*Residential Training Support	hour	5	260	17.59	22,867
*if approved by CMS					
GRAND TOTAL:					70,930,201
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)					2,150
FACTOR D (Divide grand total by number of participants)					32,991
AVERAGE LENGTH OF STAY ON THE WAIVER					335

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Waiver Year: Year 5 (renewal only)					
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
Family Support Coordination	month	413	12	792.87	3,929,464
Homemaker	hour	83	104	11.89	102,634
Personal Care	hour	6	335	14.35	28,844
Residential Habilitation	day	1,775	335	76.78	45,655,308
Day Habilitation	hour	1,522	1,344	8.475	17,336,189
Supported Employment	hour	313	224	32.11	2,251,296
Respite	hour	437	260	10.77	1,223,687
Psychological	hour	9	5	46.96	2,113
Physical Therapy	hour	13	24	53.97	16,839
Occupational Therapy	hour	5	3	56.44	847
Speech Therapy	hour	3	4	56.43	677
Respiratory Therapy	hour	1	4	57.40	230
Meals (less than 3/day)	meal	13	295	4.42	16,951
Private Duty Nursing	½ hour	42	242	12.15	123,493
Dietician	hour	1	4	28.30	113
Environmental Modifications/Adaptive Equipment	item or mod	106	1	2,289	242,634
Transportation	one way ride	1,622	468	4.34	3,294,477
*Community Transition Services	one placement	11	1	2,627	28,897
*Adult Foster Support	day	10	335	85.469851	286,324
*Adult Companion Services	hour	52	335	11.89	207,124
*Assisted Living Services	day	5	335	66.985075	112,200
*Residential Training Support	hour	5	260	18.117693	23,553
*if approved by CMS					
GRAND TOTAL:					74,883,894
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)					2,200
FACTOR D (Divide grand total by number of participants)					34,038
AVERAGE LENGTH OF STAY ON THE WAIVER					335

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ii. Estimate of Factor D – Concurrent §1915(b)/§1915(c) Waivers. Complete the following table for each waiver year.

Waiver Year: Year 1						
Waiver Service	Col. 1 Check if included in capitation	Col. 2 Unit	Col. 3 # Users	Col. 4 Avg. Units Per User	Col. 5 Avg. Cost/ Unit	Col. 6 Total Cost
	<input type="checkbox"/>					
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GRAND TOTAL:						
Total: Services included in capitation						
Total: Services not included in capitation						
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)						
FACTOR D (Divide grand total by number of participants)						
Services included in capitation						
Services not included in capitation						
AVERAGE LENGTH OF STAY ON THE WAIVER						

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Waiver Year: Year 2						
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
Waiver Service	Check if included in capitation	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
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GRAND TOTAL:						
Total: Services included in capitation						
Total: Services not included in capitation						
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)						
FACTOR D (Divide grand total by number of participants)						
Services included in capitation						
Services not included in capitation						
AVERAGE LENGTH OF STAY ON THE WAIVER						

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Waiver Year: Year 3						
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Check if included in capitation	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
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GRAND TOTAL:						
Total: Services included in capitation						
Total: Services not included in capitation						
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)						
FACTOR D (Divide grand total by number of participants)						
Services included in capitation						
Services not included in capitation						
AVERAGE LENGTH OF STAY ON THE WAIVER						

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Waiver Year: Year 4 (Renewal Only)						
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Check if included in capitation	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
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GRAND TOTAL:						
Total: Services included in capitation						
Total: Services not included in capitation						
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)						
FACTOR D (Divide grand total by number of participants)						
Services included in capitation						
Services not included in capitation						
AVERAGE LENGTH OF STAY ON THE WAIVER						

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Waiver Year: Year 5 (Renewal Only)						
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Check if included in capitation	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
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GRAND TOTAL:						
Total: Services included in capitation						
Total: Services not included in capitation						
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)						
FACTOR D (Divide grand total by number of participants)						
Services included in capitation						
Services not included in capitation						
AVERAGE LENGTH OF STAY ON THE WAIVER						

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Request for Evidentiary-Based Information

Level of Care Determination

Evidence that:

- An evaluation for level of care is provided to all applicants for whom there is reasonable indication that services may be needed in the future.
- Enrolled participants are reevaluated at least annually or as specified in its approved waiver.
- The process and instruments described in the approved waiver are applied to determine LOC.
- The state monitors level of care decisions and takes action to address inappropriate level of care determinations.

Examples:

Reports from state monitoring reviews conducted; a summary report of all reviews; minutes of committee meetings showing evaluation of findings and recommendations and strategies for improvement developed. Do not submit policies, procedures, forms or individual participant records.

Plan of Care

Evidence that:

- POCs address all participant's assessed needs (including health and safety risk factors) and personal goals, either by waiver services or through other means.
- The state monitors POC development in accordance with its policies and procedures and takes appropriate action when it identifies inadequacies in the development of POCs.
- POCs are updated/revised when warranted by changes in the waiver participant's needs
- Services are specified by type, amount, duration, scope and frequency and are delivered in accordance with the POC.
- Participants are afforded choice:
 - 1) between waiver services and institutional care
 - 2) between/among waivers services and providers

Examples:

Reports from state monitoring reviews of POCs; reports of monitoring of service refusal and analysis; reports of state monitoring (e.g., provider, county, case management) to verify that services in POC have been received; summary report of all reviews; minutes of committee meetings showing evaluation of findings, recommendations and corrective actions taken and strategies for improvement developed; results of feedback from participant interviews or focus groups; analysis of incident reports/complaints; analysis of reported incidents; results of focus group meetings; results of staff interviews. Do not submit policies, procedures, forms or individual participant records.

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Qualified Providers

Evidence that:

- The state verifies, on a periodic basis, that providers meet required licensing and/or certification standards and adhere to other state standards.
- The state monitors non-licensed/non-certified providers to assure adherence to waiver requirements.
- The state identifies and rectifies situations where providers do not meet requirements.
- The state implements its policies and procedures for verifying that training is provided in accordance with state requirements and the approved waiver.

Examples:

Reports from state monitoring; minutes of committee meetings showing evaluation of findings and recommendations related to provider qualifications and training; actions taken when deficiencies are identified such as sanctions or correspondence; reports include both licensed providers and those qualified through other means; analysis of complaints or incident reports; documentation of TA/training sessions. Do not submit policies, procedures, forms, qualification standards or provider records.

Health and Welfare

Evidence that:

- The state, on an ongoing basis, identifies and addresses and seeks to prevent instances of abuse, neglect and exploitation.

Examples:

Ongoing monitoring reports; reports and analysis of complaints; reports and analysis of allegations of abuse neglect and exploitation; results of investigations and actions taken; reports and action taken on plan of care discrepancies; minutes of QA or other committee meetings that show review of monitoring, recommended actions and follow-up reports. Do not submit policies, procedures, forms or individual participant records.

Administrative Authority

Evidence that:

- The Medicaid agency or operating agency conducts routine, ongoing oversight of the waiver program.

Examples:

A description of the state quality management program with evidence of activity such as monitoring and review reports; committee minutes; a record of actions taken; record of service denials and appeal requests; copies of issued notices of appeal.

Financial Accountability

Evidence that:

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- State financial oversight exists to assure that claims are coded and paid in accordance with the reimbursement methodology specified in the approved waiver.

Examples:

Audit reports; monitoring reports; management meeting minutes that reflect analysis, recommendations and actions.

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